

## Message Text

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PAGE 01 STATE 103771  
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FM SECSTATE WASHDC  
TO AMEMBASSY CANBERRA

C O N F I D E N T I A L STATE 103771

EXDIS, FOR AMB. ALSTON FROM ASSISTANT SECY HOLBROOKE

E.O. 11652: GDS

TAGS: PSDC, VM, AS, US

SUBJECT: LETTER TO FOREIGN MINISTER PEACOCK

REF: 77 STATE 296932

1. THERE FOLLOWS TEXT OF LETTER TO FOREIGN MINISTER  
PEACOCK WITH MY THOUGHTS ON THE CURRENT STATE OF U.S.-  
VIETNAM RELATIONS AS FOLLOW UP TO REFTEL. I WOULD APPRE-  
CIATE YOUR PASSING TEXT TO PEACOCK ON MY BEHALF. SIGNED  
ORIGINAL BEING POUCHED:

2. BEGIN TEXT:

"DEAR ANDREW:

AS I PROMISED THROUGH AMBASSADOR ALSTON, I AM WRITING TO  
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REPLY MORE FULLY TO YOUR LETTER OF DECEMBER 3, 1977, AND TO  
GIVE YOU MY THOUGHTS ON VIETNAM.

FIRST, A WORD ABOUT THE HUMPHREY-HUNG CASE WHICH HAS UN-  
FORTUNATELY CREATED ANOTHER OBSTACLE IN THE PATH OF NORMAL-  
IZATION. THE NAMING OF AMBASSADOR THI AS AN UNINDICTED CO-  
CONSPIRATOR LEFT US NO CHOICE BUT TO DEMAND HIS DEPARTURE

UNDER SECTION L3B OF THE 1947 HEADQUARTERS AGREEMENT. HE

OULD NOT HAVE BEEN NAMED HAD THERE NOT BEEN PRECISE INDICATIONS OF HIS PERSONAL INVOLVEMENT. WHILE THE EMBARRASSMENT CAUSED THE SRV MAY BE REGRETTABLE, THE VIETNAMESE KNOW FULL WELL THAT THI WAS DIRECTLY INVOLVED. INDEED, ONE OF THE SRV DEPUTY FOREIGN MINISTERS RECENTLY ADMITTED THIS TO A WESTERN JOURNALIST, ALTHOUGH DISMISSING IT AS "PERSONAL" RATHER THAN OFFICIAL. IN A LETTER TO PHAN HIEN, STATING THAT THE UNITED STATES REMAINS READY TO MOVE TOWARDS A NEW RELATIONSHIP WITH VIETNAM, I SUGGESTED THAT OUR TASK MUST NOW BE TO INSURE THAT THE THI AFFAIR DOES NOT RESULT IN FURTHER DAMAGE TO THE NORMALIZATION PROCESS, AND STRESSED THAT THERE IS NO REASON WHY THE INCIDENT NEED AFFECT THE FUNCTIONING OF A NEW SRV AMBASSADOR TO THE UNITED NATIONS. UNDERSTANDABLY, PERHAPS, THERE HAS BEEN NO RESPONSE.

WITH REGARD TO THE DECEMBER TALKS, WE HAD, OF COURSE, RECEIVED INDICATIONS FROM NGUYEN CO THACH IN NEW YORK THAT THE VIETNAMESE MIGHT PROPOSE SOMETHING NEW IN PARIS, REFLECTING INCREASED INTEREST IN THE BENEFITS TRADE AND AN ECONOMIC RELATIONSHIP WITH THE U.S. WOULD BRING. THESE INDICATIONS WERE ACCURATE. ON THE FIRST DAY OF THE TALKS, FOLLOWING MY STATEMENT THAT THE U.S. REMAINED WILLING TO ESTABLISH RELATIONS AND LIFT THE TRADE EMBARGO, PHAN HIEN PROPOSED THAT INSTEAD WE CONSIDER ESTABLISHING TRADE RELATIONS AS AN CONFIDENTIAL

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INTERIM STEP TOWARD FULL NORMALIZATION. HE CONSIDERED THE PROSPECTS FOR ESTABLISHING FULL DIPLOMATIC RELATIONS BLOCKED FOR THE TIME BEING BY THE CONGRESSIONAL CONCERN OVER EVEN INDIRECT AID THROUGH INTERNATIONAL FINANCIAL INSTITUTIONS. IMPLICIT IN HIS PROPOSAL WAS THAT AN EXCHANGE OF TRADE OFFICES AND A LIFTING OF THE TRADE EMBARGO WOULD BE PART OF THE PACKAGE.

IN RESPONSE TO PHAN HIEN'S PROPOSAL, I OFFERED TO EXCHANGE INTEREST SECTIONS WITHOUT LIFTING THE TRADE EMBARGO BUT NOTED THAT THE UNITED STATES CONSIDERS TRADE TO BE AN ASPECT OF NORMAL RELATIONS AND THAT TRADE AND FULL DIPLOMATIC RELATIONS MUST GO TOGETHER. AN INTEREST SECTION WOULD NOT NEED TO FLY THE AMERICAN FLAG, A POINT RAISED PREVIOUSLY BY THE SRV WITH RESPECT TO THE NEED FOR AID BEFORE ESTABLISHING DIPLOMATIC RELATIONS. INTERESTINGLY, PHAN HIEN SAID IT WAS NOT THE LEVEL OF RELATIONS OR EVEN THE SYMBOLISM OF THE FLAG THAT WAS IMPORTANT TO THE SRV BUT THE SUBSTANCE. IF THERE WERE A PROPER CONTENT OF RELATIONS, THE VIETNAMESE WOULD BE FLEXIBLE AS TO FORM. IN RESPONSE TO MY FOLLOW-UP QUESTIONS, PHAN HIEN CLEARLY IMPLIED THAT THIS FLEXIBILITY MIGHT EXTEND TO SOME SORT OF DIPLOMATIC RELATIONS BUT NOT FULL RELATIONS

WITH AMBASSADORS. HE DID NOT MAKE A SPECIFIC PROPOSAL,

NEEDLESS TO SAY.

WE HAVE HAD SIMILAR PROBES ON THE OPENING OF COMMERCIAL RELATIONS, INCLUDING GOVERNMENT-BACKED SUPPLIER CREDITS, FROM AMERICAN BUSINESSMEN RECENTLY IN HANOI. THEY WERE APPARENTLY GIVEN CLEAR INDICATIONS THAT THIS, COMBINED WITH ASSISTANCE THROUGH MULTILATERAL INSTITUTIONS, COULD BE A SUBSTITUTE FOR DIRECT AID AND CLEAR THE WAY FOR NORMALIZATION.

THIS ALL FITS THE NEW SRV ATTITUDE TOWARD THE ASEAN COUNTRIES, WHERE THE NEW POLICY IS TO BETTER RELATIONS, WITH THE  
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EMPHASIS UPON ECONOMIC OPPORTUNITIES EVEN MORE THAN SUPPORT IN THE VIETNAM-CAMBODIA CONFRONTATION. THE SHIFT IN VIETNAMESE EMPHASIS FROM AID TO TRADE LEADS ME TO BELIEVE THAT THE VIETNAMESE ARE BECOMING MORE REALISTIC IN THEIR APPRECIATION OF THE CONSTRAINTS UNDER WHICH U.S. POLICY MUST FUNCTION -- CONSTRAINTS WHICH I CAN ASSURE YOU REMAIN VERY REAL AND WHICH THE HUMPHREY-HUNG ESPIONAGE CASE HAS HEIGHTENED. SHORTLY BEFORE LEAVING FOR THE DECEMBER ROUND OF TALKS, UNDER INSTRUCTIONS FROM CY VANCE, I CONSULTED WITH A NUMBER OF CONGRESSMEN ON THE QUESTION OF THE TRADE EMBARGO AND POSSIBLE INTERIM LEVELS OF RELATIONS. THEIR RESPONSE WAS UNIFORMLY CAUTIOUS, AND I WAS TOLD EMPHATICALLY THAT A DECISION TO LIFT THE EMBARGO BEFORE FULL RELATIONS WERE ESTABLISHED WOULD MEET WITH A HOSTILE REACTION. CERTAIN CONGRESSMEN WERE WORRIED THAT THIS MIGHT BE THE CASE EVEN IF THE EMBARGO WERE LIFTED AS PART OF AN AGREEMENT TO ESTABLISH FULL DIPLOMATIC RELATIONS.

WHILE I APPRECIATE YOUR CONCERN, AS EXPRESSED IN YOUR LETTER OF DECEMBER 9, REGARDING THE RISKS INVOLVED IN A PROLONGED IMPASSE IN PROGRESS TOWARD NORMALIZATION, I MUST SAY FRANKLY THAT THE ADMINISTRATION NOW HAS LITTLE LATITUDE IN TERMS OF ITS POSITION TOWARD VIETNAM. IN ADDITION TO OTHER POLICY ISSUES, WHICH MUST TAKE PRECEDENCE IN THE ADMINISTRATION'S 1978 CALENDAR, THERE REMAINS A VERY REAL RELUCTANCE ON THE PART OF CONGRESS TO COUNTENANCE ANYTHING THAT MIGHT BE INTERPRETED AS A WEAKENING OF OUR POSITION VIS-A-VIS THE SRV. I BELIEVE THIS WOULD EXTEND EVEN TO YOUR SUGGESTION OF RELAXING THE TRADE EMBARGO WHILE KEEPING CREDIT RESTRICTIONS IN PLACE. WITH REGARD TO YOUR SUGGESTION THAT WE CONSIDER BROADENING OUR DEFINITION OF "HUMANITARIAN DONATIONS," HOWEVER, WE ARE NOW REVIEWING OUR CRITERIA WITH THE THOUGHT OF LOOSENING THEM SOMEWHAT, ALTHOUGH IT IS PROBABLE THAT  
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AGRICULTURAL AID MUST BE RULED OUT FOR THE PRESENT. IN ADDITION, WE ARE CONSIDERING THE FEASIBILITY OF ENCOURAGING

PRIVATE EXCHANGES AMONG VIETNAMESE AND AMERICAN SCIENTISTS AND SPECIALISTS IN THE MIDTERM FUTURE.

AT THE DECEMBER TALKS, I GAVE PHAN HIEN AN APPRAISAL OF U.S. GLOBAL POLICIES AND THEIR IMPACT ON ASIA, THE SENSE OF WHICH I BELIEVE AMBASSADOR ALSTON HAS ALREADY PASSED TO YOU. I TOLD PHAN HIEN THAT THE UNITED STATES APPLAUDED VIETNAM'S STATED AIMS OF DEVELOPING ECONOMIC TIES WITH ITS SOUTHEAST ASIAN NEIGHBORS. I SAID THAT THE UNITED STATES WISHED VIETNAM SUCCESS IN AN EFFORT WHICH COULD CONTRIBUTE SIGNIFICANTLY TO PEACE AND STABILITY IN THE PACIFIC. FOREIGN MINISTER TRINH'S SWING THROUGH SOUTHEAST ASIA WAS A SIGN THE VIETNAMESE ARE SERIOUSLY PURSUING SUCH A GOAL, RELATED OF COURSE TO THEIR WAR WITH CAMBODIA.

DURING PHAN HIEN'S VISIT TO AUSTRALIA, IT WOULD INDEED BE MOST USEFUL IF YOU COULD TALK TO THE VIETNAMESE ABOUT DOMESTIC AND CONGRESSIONAL CONSTRAINTS ON OUR NEGOTIATING POSITION. IN ADDITION, IT WOULD BE ADVANTAGEOUS, AS YOU SUGGESTED, TO POINT OUT TO PHAN HIEN THAT SRV ACTIONS -- AS IN PUBLICLY ATTACKING THE U.S. ON THE REFUGEE ISSUE -- WORK AGAINST THEIR INTERESTS BY HELPING KEEP SUCH RESTRAINTS ALIVE. WE ARE NOT TRYING TO EMBARRASS THE SRV ON THE REFUGEE ISSUE, BUT OUR POSITION IS -- LIKE YOUR OWN -- ONE OF PRINCIPLE STEMMING FROM THE NATURE OF OUR SOCIETY AND A TRADITION OF OPENNESS TO IMMIGRATION.

IT IS OUR HOPE THAT THE VIETNAMESE WILL NOT REACT TO THE THI EPISODE IN THE COMING MONTHS IN A MANNER WHICH WILL MAKE IT EVEN MORE DIFFICULT FOR US TO BUILD ON THESE ACCOMPLISHMENTS. UNDERSTANDABLY, IF UNFORTUNATELY, THEY POSTPONED THE VISIT BY VU HOANG AND HIS EXPERTS TO VISIT OUR MIA IDENTIFICATION FACILITIES IN HAWAII THIS SPRING, WHICH HAD BEEN AGREED ON

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IN THE DECEMBER MEETING. IT IS OUR HOPE THAT, ONCE THE TRIAL IS OVER (IT BEGINS IN MAY) THIS ISSUE CAN BE CLOSED ON BOTH SIDES. IF THE SRV ACTUALLY RAISES THE THI AFFAIR AT THE UNGA IN SEPTEMBER, AS THEY HAVE INDICATED, THEN OF COURSE THE ENTIRE QUESTION OF FURTHER NORMALIZATION TALKS BECOMES EVEN MORE REMOTE. IF THIS SUBJECT ARISES, I WOULD BE GRATEFUL IF YOU COULD UNDERLINE THESE POINTS TO PHAN

HIEN.

I LOOK FORWARD TO SEEING YOU SOON IN CANBERRA, AND REMEMBER  
TO SAVE AN EVENING FOR US IN NEW YORK THIS FALL.  
SINCERELY, RICHARD HOLBROOKE" END TEXT. CHRISTOPHER

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## Message Attributes

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